This announcement contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical fact are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, some of which are beyond the Company's control that may cause the actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Zhaoke Ophthalmology Limited
兆科眼科有限公司

(Incorporated in the British Virgin Islands with limited liability and continued in the Cayman Islands)

(Stock Code: 6622)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023

The Board and the Directors of our Company are pleased to announce the unaudited consolidated interim results of our Group for the six months ended June 30, 2023, together with the comparative figures for the corresponding period in 2022 as follows. These interim results have been reviewed by the Audit Committee and our auditors, KPMG.

In this announcement, "Zhaoke Ophthalmology", "we", "us" and "our" refer to the Company or where the context otherwise requires, the Group.

FINANCIAL HIGHLIGHTS

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue	**11,304**	–
Cost of sales	**(1,150)**	–
Gross profit	**10,154**	–
Other income and gain/(loss), net	**31,236**	(5,624)
R&D expenses	**(205,346)**	(100,929)
General and administrative expenses	**(42,570)**	(39,510)
Selling and distribution expenses	**(23,075)**	(13,656)
Finance costs	**(3,637)**	(1,307)
Income tax	**(540)**	–
Loss for the period	**(233,778)**	(161,026)
Total comprehensive income for the period	**(135,031)**	(46,362)
Non-HKFRS Measures		
Adjusted loss for the period[(1)]	**(218,178)**	(138,932)

Note:

(1) NON-HKFRS MEASURES

Adjusted loss for the period is defined as loss for the period adjusted by adding back non-cash adjustment of equity-settled share-based payment expenses. The following table reconciles our adjusted loss for the period with our loss for the period.

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(233,778)**	(161,026)
Add:		
Equity-settled share-based payment expenses	**15,600**	22,094
Adjusted loss for the period	**(218,178)**	(138,932)

OVERVIEW

Zhaoke Ophthalmology is a leading ophthalmic pharmaceutical company dedicated to the R&D, manufacturing, and commercialization of therapies that address significant unmet medical needs in China and globally.

China has the largest number of eye disease patients in the world, and there is significant unmet demand from this vast and growing patient base. We are well positioned to capture the opportunity of a rapidly growing ophthalmology drug market, which is expected to reach approximately US$11 billion in 2027, according to data from CIC.

Zhaoke Ophthalmology's portfolio of innovative and generic assets spans major diseases affecting both the front- and back-of-the-eye. In our portfolio construction, we aim to strike a balance between being a "one stop solution provider" for ophthalmologists and focusing our resources on areas with the largest unmet needs and commercial potential. We are the only ophthalmology company in China with advanced programs (Phase III or later) in all three of the largest front-of-the-eye diseases: DED, myopia, and presbyopia. We have several potential blockbuster innovative drug candidates in our pipeline, and believe that they will be either best-in-class or first-in-class and make a significant contribution to our future revenue.

We are committed to our goal of becoming a leader in ophthalmology in China and globally, and have made strong progress in advancing our key clinical programs.

BUSINESS HIGHLIGHTS DURING THE REPORTING PERIOD

- **We recorded our first meaningful sales revenue:** for the first half of 2023, a total of RMB11.3 million was recorded as total revenue, of which RMB2.3 million was derived through the commercialization of our generic drug for glaucoma – Bimatoprost Timolol eye drop (晶贝莹®), and RMB3.6 million was derived through our 堡得视® series of eyepatches consisting of a heat compress eyepatch for mild dry eye patients and a far infrared heat compress eyepatch for adolescents and children. This latter product is the first type II medical device containing far-infrared ceramic powder to improve pseudo myopia and visual fatigue in adolescents and children. Our product revenue came from both traditional hospital and new digital and physical channels. In addition, we recorded RMB5.4 million in upfront payments from our distribution and supply agreement for NVK002 in South Korea.

- **We launched our first regulatory approved drug, Bimatoprost Timolol:** In February 2023, Bimatoprost Timolol eye drop (晶贝莹®), a drug researched, developed and manufactured by Zhaoke Ophthalmology, obtained marketing authorization from the NMPA. The first prescription for this drug was written on March 8, 2023 in Guangzhou. In May 2023, the eye drop was also launched on JD Health, giving more glaucoma patients easier access to the drug.

- **Our CsA Ophthalmic Gel progresses through the regulatory review process:** On January 31, 2023, CsA Ophthalmic Gel, Zhaoke Ophthalmology's self-developed innovative drug for dry eye disease, passed the NMPA on-site regulatory and clinical trial inspections, as well as the Good Manufacturing Practice conducted by the Guangdong Medical Products Administration. Zhaoke Ophthalmology continues to target regulatory approval and commercialization of CsA Ophthalmic Gel in China in 2024.

- **Our low dose atropine product NVK002 made solid progress both in China and in the US, with our Phase III bridging trial Mini-CHAMP last patient last visit announced in August:** NVK002 is currently well-positioned to be approved as the world's first clinically proven pharmaceutical product for slowing the progression of myopia for adolescents and children.

    - Zhaoke Ophthalmology's one-year Phase III bridging trial ("**Mini-CHAMP**") completed its last patient last visit on August 3, 2023. This marks an important step towards the Company's submission of an NDA in China.

    - In June, our partner Vyluma's NDA application to the FDA was accepted for review. A Prescription Drug User Fee Act (PDUFA) goal date of January 31, 2024, has been assigned by the FDA.

- **We are preparing for an IND application for BRIMOCHOL PF™ in China after our partner announced positive results from their first Phase III trial:** In April 2023, our partner Visus announced positive topline results from its Phase III pivotal BRIO-I trial for BRIMOCHOL PF™, an innovative asset for presbyopia.

    - BRIMOCHOL PF™ successfully met the pre-specified visual acuity primary endpoints for both the US and EU/UK against its active comparators carbachol and brimonidine.

    - In the trial, BRIMOCHOL PF™ demonstrated highly statistically significant improvements in near and distance binocular visual acuity at multiple timepoints over carbachol and brimonidine. Clinically and statistically significant reductions in pupil size were also observed over 8 hours. BRIMOCHOL PF™ was well-tolerated with no treatment-related serious adverse events.

    - Meanwhile, we are actively preparing for an Investigational New Drug (IND) application in China targeting a filing date in the second half of this year. This would allow us to initiate a Phase I study in 2024, which, if successful, would be followed immediately by a Phase III pivotal trial.

- **We continued to expand our global footprint:** In March 2023, we entered into a distribution and supply agreement for NVK002 with Kwangdong Pharmaceutical Co., Ltd. ("**KDP**"), a leading Korean pharmaceutical company.

    - Under the terms of the agreement, KDP was granted exclusive rights to import, promote, distribute, market and sell NVK002 in South Korea.

    - This partnership is a concrete first step towards expanding our global footprint, creating new business opportunities overseas in addition to developing new revenue streams for our Company.

- **We continued to expand our innovative commercial ecosystem** through a combination of experimentation with omnichannel content and new sales approaches as well as the formation of strategic alliances:

    - Our content-driven platform on WeChat, Zhaoke Boshi (兆科博視), has been growing rapidly since its launch in September 2021. Currently Zhaoke Boshi has over 13,800 followers, representing close to a quarter of the ophthalmologist community in China.

    - Zhaoke Boshi provides a stage for leading KOLs in the industry to share their knowledge and insights, while facilitating discussion amongst the broader Chinese ophthalmic community. We believe that this outreach will help consolidate our position as a trusted partner for Chinese ophthalmologists and continue to differentiate and enhance Zhaoke Ophthalmology's leadership in the industry.

    - We established a strategic partnership with Eyebright Medical (Beijing) Co., Ltd ("**Eyebright Medical**") in August 2023, to explore collaboration opportunities across R&D and commercial sales including promotion of some of our products in eye hospitals, ophthalmic clinics, vision centres and other channels.

BUSINESS REVIEW

Pipeline Strategy

Zhaoke Ophthalmology has established a comprehensive asset portfolio of innovative and generic drugs that address major eye diseases across both the front- and back-of-the-eye. These major ophthalmic indications in terms of market potential in China are DED, myopia, presbyopia, wAMD/DME, CED and glaucoma. In some areas, we have chosen multiple drug candidates to address these diseases, as we believe this is the best way to treat their multiple and complex underlying causes.

Innovative Drugs

Our Company has several potential blockbuster innovative drugs expected to come through the pipeline over the next few years.

CsA Ophthalmic Gel for DED (self-developed)

Overview

CsA Ophthalmic Gel is an innovative drug being developed by Zhaoke Ophthalmology for the treatment of DED.

- It is a single daily dose hydrogel which eliminates the need for daytime administration and the associated discomfort and inconvenience, whilst aiming to dramatically improve patients' treatment compliance and quality of life.

- The proprietary hydrogel formulation is protected with patent approval in China and internationally. This novel formulation enhances the pharmacokinetic profiles of CsA on the ocular surface allowing efficacy similar to that of Cyclosporine A products currently available which need to be applied twice daily. However, unlike these current treatments, CsA Ophthalmic Gel's unique formulation stays on the eye for longer, requiring only once-a-day dosing.

- In the Phase III clinical trial (COSMO), the treatment also showed a faster onset of action by demonstrating efficacy at around the two-week period, while traditional CsA drugs often take around seven to eight weeks for onset of action.

Updates during the Reporting Period

On January 31, 2023, Zhaoke Ophthalmology announced that CsA Ophthalmic Gel passed the on-site regulatory and clinical trial inspections by the NMPA, and the Good Manufacturing Practice review conducted by the Guangdong Medical Products Administration.

- Zhaoke Ophthalmology continues to target regulatory approval and commercialization of CsA Ophthalmic Gel in China in 2024.

- Given the prevalence of DED globally and the differentiated profile of CsA Ophthalmic Gel, the Company is also progressing its plans for CsA Ophthalmic Gel globally including in the U.S. We had one pre-IND meeting with the FDA in February 2023 and are working towards an IND filing in the US in 2024.

NVK002 (Atropine) for Myopia (partnered with Vyluma, Inc.)

Overview

To date, low concentration atropine has been widely studied and demonstrated to be effective in myopia progression control among children and adolescents. Zhaoke Ophthalmology's NVK002 is currently well-positioned as the first clinically proven pharmaceutical product approved for slowing the progression of myopia globally.

- This treatment has a proprietary formulation that successfully addresses the instability of low-concentration atropine, with patent protection in the US as well as in China, and is preservative-free with an expected shelf life of over 24 months.

- Zhaoke Ophthalmogy's licensing partner for NVK002 is Vyluma, a wholly owned subsidiary of US-based Nevakar, Inc. Vyluma successfully completed its Phase III clinical trial for NVK002 across the U.S. and Europe, which involved nearly 600 children and adolescents in a three-year study period.

- Zhaoke Ophthalmology is conducting two concurrent Phase III clinical trials in China: a two-year Phase III clinical trial ("**China CHAMP**") and a one-year Phase III bridging trial (Mini-CHAMP). Combined with global data from Vyluma's Phase III clinical trial ("**CHAMP**") in the US and Europe, the overall CHAMP trial for NVK002 will be one of the largest, longest and most comprehensive Phase III clinical trials for low dose atropine use in the world.

- The China CHAMP trial involves 18 centers and 777 patients and is led by Professor Wang Ning Li from Beijing Tongren Hospital as the Principal Investigator. The Mini-CHAMP trial involves 16 centers and 526 patients and is led by Principal Investigators Professor Qu Xiao Mei, from the Eye and ENT Hospital of Fudan University, and Professor Yang Xiao, from the Zhongshan Ophthalmic Center of Sun Yat-Sen University.

Updates during the Reporting Period

In June 2023, Vyluma received FDA acceptance of its NDA for NVK002, supported by positive results from its landmark three-year placebo-controlled international Phase III CHAMP clinical study. A Prescription Drug User Fee Act (PDUFA) goal date of January 31, 2024 has been assigned by the FDA.

On August 3, 2023, the last patient last visit was completed for the one-year Phase III clinical trial (Mini-CHAMP) of NVK002 in China. This is an important step forward towards the Company's submission of an NDA in China.

- Zhaoke Ophthalmology will become one of the first companies in China to commercialize approved low-dose atropine product, particularly if we are able to make an NDA submission with the combined data from Mini-CHAMP and those from the CHAMP study conducted by our partner Vyluma.

- At the same time, we continue to progress the two-year China CHAMP study and expect to complete the trial in the second half of 2024.

In March 2023, Zhaoke Ophthalmology entered into a distribution and supply agreement for NVK002 with KDP.

- Under the terms of the agreement, KDP was granted exclusive rights to import, promote, distribute, market and sell NVK002 in South Korea. With this partnership we have taken a concrete first step towards monetizing NVK002 outside of China and expanding our global footprint via strategic partnerships.

- We are also in active dialogue with potential partners in the Southeast Asia region.

BRIMOCHOL PF™ and Carbachol PF (partnered with Visus)

Overview

BRIMOCHOL PF™ and Carbachol PF are pupil-modulating eye drops designed to be once-daily, preservative-free therapeutics to correct the loss of near vision associated with presbyopia.

- BRIMOCHOL PF™ is a fixed-dose combination of carbachol (a cholinergic agent) and brimonidine tartrate (an alpha-2 agonist). Carbachol PF is a proprietary, preservative-free formulation of carbachol monotherapy. Both investigational therapies reduce the size of the pupil resulting in a "pinhole effect" so that only centrally focused light rays can enter the eye, thereby sharpening both near and intermediate images.

- Zhaoke Ophthalmogy's licensing partner for BRIMOCHOL PF™ and Carbachol PF is Visus, a clinical-stage US pharmaceutical company focused on developing innovative ophthalmic therapies. Visus is currently conducting Phase III pivotal trials.

Updates during the Reporting Period

In April 2023, Visus announced positive topline results from its Phase III pivotal BRIO-I trial. BRIMOCHOL PF successfully met the pre-specified visual acuity primary endpoints for both the US and EU/UK against its active comparators carbachol and brimonidine. In the trial, BRIMOCHOL PF™ demonstrated highly statistically significant improvements in near and distance binocular visual acuity at multiple timepoints over carbachol and brimonidine.

- BRIMOCHOL PF achieved highly statistically significant near vision improvements over 8 hours and was well-tolerated.

- An additional Phase III safety trial, BRIO-II, is underway with results expected to be announced during 2024.

- The clinical development plan in China will be a Phase I study followed by a Phase III study. We are actively progressing a China IND application and expect to formally file an IND application before the end of this year.

TAB014 (Bevacizumab) for wAMD (partnered with TOT BIOPHARM Co., Ltd.)

Overview

TAB014 is the first clinical-stage bevacizumab-based antibody indicated for wAMD in China. Bevacizumab is a clinically validated anti-VEGF drug. Globally, bevacizumab is approved for oncology treatment through intravenous infusion. However, there has been increasing off-label use of bevacizumab via intravitreal injection for the treatment of wAMD.

- The Phase III clinical trial of TAB014 is a randomized, double-blind, and non-inferiority study. The main objective of the study is to evaluate the change from baseline in best corrected visual acuity (BCVA) at week 52 in TAB014-treated subjects group compared with the Lucentis®-treated subject group.

- The study involves up to approximately 60 centres and a total of 488 patients and is led by Professor Chen Youxin from Peking Union Medical College Hospital as the Principal Investigator.

- We are currently recruiting patients for the Phase III clinical trial of TAB014. We completed the First Patient In (FPI) in June 2022, and 370 patients have been recruited across 50 centres as of June 30, 2023. We aim to complete patient recruitment before the end of 2024.

ZKY001 (self-developed)

Overview

ZKY001 is a seven-amino acid peptide derived from the functional fragment of Thymosin β4 that binds actin, a type of protein that plays a central role in cell structure and movement.

- ZKY001 has broad applications in the healing of corneal wounds and can potentially be used in multiple corneal repair indications.

- Zhaoke Ophthalmology has conducted Phase II clinical trials and an investigator initiated trial of ZKY001 for multiple potential indications, including CED; TPRK (a surgical treatment for myopia); pterygium (a growth in the cornea or the conjunctiva); and NK (a rare degenerative corneal disease).

- Following the analysis of all the results across these studies, the research and clinical teams have decided to focus on TPRK, specifically the treatment of corneal epithelial defects after eye surgery as the indication for a Phase III trial to be initiated in 2024.

- Once approved for a first indication, we believe the adoption of ZKY001 will expand quickly into other corneal repair applications.

Generic Drugs

We follow a balanced approach in designing our drug pipeline. In addition to innovative drug candidates, our Company is working on several generic drugs. The market potential for the management and treatment of ocular disease in China is unmatched globally. Generic drugs address a substantial portion of current unmet ophthalmic medical needs in China. From a market demand perspective, our generic pipeline complements our innovative pipeline and positions us to provide a full range of solutions to ophthalmologists and patients.

- In February 2023, Bimatoprost Timolol eye drop, known as 晶贝莹® in the PRC – a drug researched, developed and manufactured by Zhaoke Ophthalmology for the treatment of glaucoma – obtained marketing authorization from the National Medical Products Administration (NMPA).

- Bimatoprost Timolol eye drop (晶贝莹®) is used to lower the intraocular pressure (IOP) in patients with primary open-angle glaucoma or ocular hypertension who do not respond sufficiently to β-blockers or prostaglandin analogues (PGA). It is the first generic drug of Bimatoprost Timolol eye drop for the treatment of glaucoma/ocular hypertension in China.

- Bimatoprost Timolol eye drop (晶贝莹®) is also our Company's first drug approved for commercialization. The first prescription for it was written on March 8, 2023 in Guangzhou. The eye drop will help expand brand recognition of Zhaoke Ophthalmology to support the future commercial launch of our innovative drugs. In May 2023, Bimatoprost Timolol eye drop (晶贝莹®) was also launched on JD Health, where a wider audience of glaucoma patients are able access the drug.

- As of the date of this announcement, we have also filed 2 additional ANDA submissions to the NMPA for Travoprost (one of the most frequently prescribed PGAs for open-angle glaucoma in China), and Travoprost Timolol.

WARNING UNDER RULE 18A.08(3) OF THE LISTING RULES: WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR DRUG CANDIDATES SUCCESSFULLY.

Manufacturing

Zhaoke Ophthalmology's dedicated facility in Guangdong gives the Company the strategic advantage of a manufacturing capability that is fully in-house. Processes including production, dosing, filling and packaging as well as quality assurance take place using state-of-the-art equipment and machinery from leading global manufacturers, all in an area of approximately 7,600 sq.m. Its design accords with the highest international standards and the requirements of major global regulators including the FDA, the NMPA and the European Medicines Agency (EMA). The facility presently has three manufacturing lines, which are all ready for mass production.

In February 2023, our Bimatoprost Timolol eye drop (晶贝莹®) obtained marketing authorization from the NMPA. This eye drop is manufactured in our Guangdong manufacturing facility.

Commercialization

Commercial capabilities are one of the major focuses of Zhaoke Ophthalmology, as we transition from a pure R&D company to one with approved products. We have a growing and highly skilled sales and marketing team. Following NMPA approval for our Bimatoprost Timolol eye drop (晶贝莹®), our Company is expanding our sales and marketing team from 45 people at the end of 2022 to over 80 in August 2023. Our team is rapidly expanding our coverage of key hospitals, which stood at over 1,100 as of mid August.

In preparation for the planned growth in our commercialization activities, we have also developed a compelling commercialization model, which includes an innovative omni-channel strategy targeting both online and offline opportunities.

The rapidly shifting dynamics of the Chinese ophthalmic industry make it clear that the traditional method of selling drugs must be complemented by new channels including digital, social and e-commerce. As well as incorporating traditional channels such as public hospitals and private institutions, our model also builds brand visibility in the digital world through WeChat, China's most prominent mobile application, alongside other online medical platforms.

We launched our innovative, content-driven platform on WeChat, Zhaoke Boshi (兆科博視), in September 2021; since then it has experienced rapid growth. Zhaoke Boshi provides a platform for leading ophthalmology KOLs to share their knowledge and insights and promotes discussion amongst the broader ophthalmic community in China. As of the date of this announcement, Zhaoke Boshi has over 13,800 followers, representing close to one quarter of the ophthalmologist community in China. We believe this initiative is helping us

further consolidate our position as a trusted partner for Chinese ophthalmologists and that it will continue to differentiate and enhance Zhaoke Ophthalmology's position of industry leadership.

Meanwhile, we have also started developing our digital presence on China's two major e-commerce platforms – Tmall and JD.com. On August 15, 2022, Zhaoke Ophthalmology launched a Tmall flagship store for our first commercialized product, 堡得视® heat compress eyepatch (an approved category 2 medical device for people with mild dry eye disease). In March 2023, we commercialized the second product on Tmall, 堡得视® Far Infrared Eye Heat Compress eyepatch (an approved category 2 medical device for relieving pseudo myopia visual fatigue and dry eye in adolescents and children), to comprise our 堡得视® series. These two product launches enable Zhaoke Ophthalmology to build brand awareness directly among eye-health-conscious consumers, increase consumer knowledge and awareness of eye health, and demonstrate our commitment to providing the best treatments for patients by offering both drugs and medical devices.

In May 2023, we launched our first commercialized drug, Bimatoprost Timolol eye drop (晶贝莹®), on JD Health, an e-commerce healthcare platform for pharmaceutical products in China. This will help improve patients' access to our drugs and, through being a part of our wider omni-channel approach to sales, will also lay a solid foundation for the commercialization of our upcoming blockbuster drugs.

R&D

As a pharmaceutical company, R&D remains the backbone of Zhaoke's business, and we were able to significantly progress our R&D efforts during the Reporting Period.

Our CsA Ophthalmic Gel (a self-developed treatment for DED) currently has an NDA under review by the Center for Drug Evaluation. We have several drug assets which have advanced to late-stage clinical programs. Our treatment for myopia progression control, NVK002, completed last patient last visit for its one-year Phase III bridging trial Mini-CHAMP in China in early August 2023; the patient recruitment for TAB014, a treatment for wAMD, is expected to complete by the end of this year; and we are preparing for the Phase III clinical trial of another self-developed innovative asset ZKY001. We have also filed multiple ANDA submissions for our generic assets.

Our R&D team has a time-tested track record and is led by an international management team with decades of industry experience working in global biotechnology and pharmaceutical companies. Our R&D team comprised approximately 100 professionals at the end of the Reporting Period.

For the six months ending June 30, 2023, our R&D expenses reached approximately RMB205.3 million, an increase of approximately 103.5% from approximately RMB100.9 million for the six months ending on June 30, 2022.

Partnerships

Zhaoke Ophthalmology has established multiple licensing partnerships with leading companies in China, the United States and Europe, and is continuing to build its global footprint.

In March 2023, we signed a distribution and supply agreement with KDP. Under the terms of the agreement, Zhaoke Ophthalmology grants KDP exclusive rights to import, promote, distribute, market and sell NVK002 in South Korea. In addition to an upfront payment, Zhaoke Ophthalmology is eligible to receive additional milestone payments based on achieving certain regulatory and sales milestones. KDP will purchase the drug in its finished form exclusively from the Company at an agreed transfer price.

In June 2023, our Company entered into an exclusive license, supply and distribution agreement with Eyedetec Medical, Inc. ("**Eyedetec Medical**"), a leading US-based company specializing in medical devices for the treatment of DED and meibomian gland dysfunction. Under the terms of the agreement, Eyedetec Medical grants Zhaoke Ophthalmology exclusive rights to register, import, promote, distribute, market and sell the Eye Lipid Mobilizer™ ("**ELM™**"), a medical device that is designed to treat DED and meibomian gland dysfunction, in Greater China (mainland China, Hong Kong, Macau and Taiwan), South Korea and certain countries in the Association of Southeast Asian Nations (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam).

Separately in August 2023, Zhaoke Ophthalmology established a strategic partnership with Eyebright Medical, a Beijing-based pharmaceutical company focusing on the R&D, manufacturing and commercialization of ophthalmic medical devices. We will explore opportunities to research, develop and commercialize ophthalmic products together including promotion of some of Zhaoke Ophthalmology's products in eye hospitals, ophthalmic clinics, vision centres and other channels.

ENVIRONMENT, SOCIAL AND GOVERNANCE ("ESG")

Zhaoke Ophthalmology is committed to the development of a sustainable healthcare industry in China. We rigorously monitor the environmental and social impact of our operations and implement measures to improve the sustainability of our business.

We clearly define the ESG responsibilities of the Board and senior management and have established a sustainability steering committee to assist the Board in its management and supervision of the progress and results of relevant initiatives.

Our mission is to improve global visual health. We view this as part of our wider social responsibilities. As such, during the first half of this year, we continued to promote educational activities to help increase public awareness of eye diseases. These included increasing digital engagement around the topic, primarily through our Boshi WeChat account.

In addition to these online activities, we held in-person educational seminars as part of China's National Eye Care Day on June 6. We provided public education about eye health, and distributed eye patches to consumers. The event was welcomed by both doctors and patients. World Glaucoma Awareness Week in March was another opportunity for Zhaoke Ophthalmology to promote eye health. We invited several well-known ophthalmologists to take part in online education programs aimed at improving public awareness of glaucoma screening and treatment.

Alongside our work with the public, we are committed to training the next generation of industry practitioners. As part of our Young Ophthalmologists' Training Program, we partnered with Happy Life Tech and the Chinese Journal of Ophthalmology to provide an online training series around clinical studies.

While we take our responsibility to the wider community seriously, just as serious is our commitment to our people. We believe that we will only fulfil our vision if we support our colleagues in their own personal development. Creating a diverse, supportive and rewarding work environment is critical to this. To that end, over the last six months we continued to expand our HR initiatives to include a tiered mentorship scheme and a rotational program, providing our high performers an opportunity to see the inner workings of the other areas of the business.

FUTURE AND OUTLOOK

2023 marks the beginning of a new chapter for Zhaoke Ophthalmology. During the first six months of this year, the Company recorded meaningful sales revenue for the first time, and has transitioned from a pure drug R&D company to a commercial pharmaceutical company.

Looking forward, Zhaoke Ophthalmology will remain focused on our ambitious dual-engine growth strategy that focuses on both R&D and commercialization. We expect to receive approval for the commercialization of our first innovative drug, CsA Ophthalmic Gel from the NMPA in 2024. We are also exploring the possibility of filing an NDA application for NVK002 by combining the clinical data of our Mini-CHAMP trial and our partner Vyluma's global CHAMP trial. Meanwhile, we are actively preparing for a China IND application for BRIMOCHOL PF in the second half of this year and to start Phase I in 2024. We also anticipate to complete patient recruitment for the Phase III trial of TAB014 by the end of this year; as well as entering the Phase III clinical trial for our self-developed ZKY001 next year. With continued progress being made in these five lead innovative programs, we have growing confidence in our leading position in ophthalmology in China, particularly in addressing some of the biggest disease areas and capturing related commercial opportunities.

We have built a strong team, with world class R&D talent and leading sales and marketing experts. We will continue to dedicate ourselves to the R&D, manufacturing and commercialization of therapies that address significant unmet medical needs and help improve visual health both in China and globally.

FINANCIAL REVIEW

Six months ended June 30, 2023 compared to six months ended June 30, 2022

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue	**11,304**	–
Cost of sales	**(1,150)**	–
Gross profit	**10,154**	–
Other income	**39,523**	11,866
Other net loss	**(8,287)**	(17,490)
R&D expenses	**(205,346)**	(100,929)
General and administrative expenses	**(42,570)**	(39,510)
Selling and distribution expenses	**(23,075)**	(13,656)
Finance costs	**(3,637)**	(1,307)
Loss before taxation	**(233,238)**	(161,026)
Income tax	**(540)**	–
Loss for the period	**(233,778)**	(161,026)
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities with functional currencies other than RMB	**98,747**	114,664
Total comprehensive income for the period	**(135,031)**	(46,362)
Non-HKFRS Measures		
Adjusted loss for the period	**(218,178)**	(138,932)

1. Overview

For the six months ended June 30, 2023, we recorded a total loss of approximately RMB233.8 million, as compared with approximately RMB161.0 million for the six months ended June 30, 2022, mainly due to the increase of R&D expenses with continuous advancement of our clinical trials and increased investments in the ongoing R&D projects.

Our R&D expenses for the six months ended June 30, 2023 were approximately RMB205.3 million, representing a significantly increase from approximately RMB100.9 million for the six months ended June 30, 2022, primarily led by continuous investment over several late stage clinical trial projects which included, Phase III clinical trial for TAB014 and China CHAMP and Mini-CHAMP for NVK002, which both projects were commenced in mid 2022.

2. Other Income

Our Group's other income primarily consists of bank interest income and government grants, which represent one-off subsidies we have received from government authorities for our R&D activities.

For the six months ended June 30, 2023, our Group's other income increased to approximately RMB39.5 million, compared to approximately RMB11.9 million for the six months ended June 30, 2022. The increase was primarily attributable to an increase in interest income from bank deposits of approximately RMB32.1 million.

3. Other Net Loss

For the six months ended June 30, 2023, we recorded approximately RMB8.3 million of other net loss, compared to approximately RMB17.5 million of other net loss for the six months ended June 30, 2022. Such net loss primarily consists of net foreign exchange gain or loss in connection with fund transfers among bank accounts in different currencies and bank balances that are denominated in U.S. dollars.

4. R&D Expenses

Our Group's R&D expenses primarily consisted of (i) clinical trial professional service fees, primarily including payments to contract research organizations, hospitals and other medical institutions and testing fees incurred for preclinical studies and clinical trials; (ii) depreciation and amortization in relation to our R&D equipment and facilities; (iii) staff costs, including salaries, bonus and welfare payments for R&D personnel; (iv) costs of raw materials and consumables used for R&D of our drug candidates; (v) equity-settled share-based payment for R&D personnel; and (vi) utilities.

For the six months ended June 30, 2023, our R&D expenses increased by approximately RMB104.4 million to approximately RMB205.3 million from approximately RMB100.9 million for the six months ended June 30, 2022. The increase was mainly due to the continuous advancement and ongoing investment of our Phase III clinical trials for our key products, NVK002 and TAB014 which commenced in mid 2022 with insignificant costs incurred at the beginning of the clinical trial.

The following table sets forth the components of our Group's R&D expenses for the periods indicated:

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Clinical trial professional service fees	**141,544**	44,544
Staff costs	**27,686**	22,003
Depreciation and amortization	**18,560**	15,256
Cost of raw materials and consumables used	**7,068**	8,750
Equity-settled share-based payment	**3,132**	4,610
Utilities	**2,608**	2,376
Others	**4,748**	3,390
Total	**205,346**	100,929

5. General and Administrative Expenses

Our general and administrative expenses consist of staff costs, professional service fees for legal, consulting and auditing services, general operating expenses, depreciation in relation to our office equipment and equity-settled share-based payment for those other than R&D personnel and commercial team.

For the six months ended June 30, 2023, our general and administrative expenses were approximately RMB42.6 million, representing an increase of approximately RMB3.1 million from approximately RMB39.5 million for the six months ended June 30, 2022, which is primarily attributable to additional consultancy fee paid for digital foundation and system digitization for internal business model and management system.

6. Selling and Distribution Expenses

Our selling and marketing expenses mainly consist of salary and benefits expenses for our commercial team. Our selling and distribution expenses increased from RMB13.7 million for the six months ended June 30, 2022 to approximately RMB23.1 million for the six months ended June 30, 2023, primarily attributable to (i) an increase in the headcount of our commercial team; and (ii) an increase investment over omni-channel capabilities.

7. Finance Costs

Our finance costs increased from approximately RMB1.3 million for the six months ended June 30, 2022 to approximately RMB3.6 million for the six months ended June 30, 2023, which was primarily attributable to an increase in interest on bank loan for cross boarder funding arrangement.

8. Loss for the Period

As a result of the above factors, for the six months ended June 30, 2023, we recorded a loss of approximately RMB233.8 million, as compared to a loss of approximately RMB161.0 million for the six months ended June 30, 2022.

9. Non-HKFRS Measure

To supplement our Group's interim consolidated financial statements, which are presented in accordance with the HKFRS, we also use adjusted loss for the period as an additional financial measure, which is not required by, or presented in accordance with, the HKFRS. We believe that this Non-HKFRS adjusted measure provides useful information to Shareholders and potential investors in understanding and evaluating our Group's interim consolidated results of operations in the same manner as they help our management.

Adjusted loss for the period represents the loss for the period excluding the effect of equity-settled share-based payment expenses. The term adjusted loss for the period is not defined under the HKFRS. However, we believe that this non-HKFRS measure is reflections of our Group's normal operating results by eliminating the potential impact of items that the management do not consider to be indicative of our Group's operating performance. The adjusted loss for the period, as the management of our Group believes, is adopted in the industry where our Group is operating. However, the presentation of the adjusted loss for the period is not intended to be (and should not be) considered in isolation or as a substitute for the financial information prepared and presented in accordance with the HKFRS. Shareholders and potential investors of our Company should not view the non-HKFRS measure (i.e. adjusted loss for the period) on a stand-alone basis or as a substitute for results under the HKFRS, or as being comparable to results reported or forecasted by other companies.

The table below sets forth a reconciliation of the loss for the period to adjusted loss for the period during the periods indicated:

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(233,778)**	(161,026)
Add:		
Equity-settled share-based payment expenses	**15,600**	22,094
Adjusted loss for the period	**(218,178)**	(138,932)

Selected Data from Interim Consolidated Statement of Financial Position

	As at June 30, 2023	As at December 31, 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Total current assets	**1,942,415**	1,972,747
Total non-current assets	**594,951**	597,876
Total assets	**2,537,366**	2,570,623
Total current liabilities	**281,382**	194,540
Total non-current liabilities	**26,390**	27,710
Total liabilities	**307,772**	222,250
Net current assets	**1,661,033**	1,778,207

10. Liquidity and Source of Funding and Borrowing

Our primary uses of cash are to fund our clinical trials, manufacturing, purchase of equipment and raw materials and other expenses. During the Reporting Period, we primarily funded our working capital requirements through net proceeds from the Global Offering and pre-IPO investments. We closely monitor uses of cash and cash balances and strive to maintain a healthy liquidity for our operations.

As at June 30, 2023, the current assets of our Group were approximately RMB1,942.4 million, including cash and cash equivalents of approximately RMB1,674.7 million, pledged bank deposits of approximately RMB203.7 million and other current assets of approximately RMB64.0 million. As at June 30, 2023, the current liabilities of our Group were approximately RMB281.4 million, including trade and other payables of approximately RMB108.4 million, amounts due to related companies of approximately RMB3.7 million, bank loans of approximately RMB159.5 million and other lease liabilities of approximately RMB9.8 million.

Our Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimize the cost of funds, our Group's treasury is centralized. Cash is generally placed in deposits mostly denominated in U.S. Dollars, Hong Kong dollars and RMB. Our Group's liquidity and financing requirements are reviewed regularly.

11. Pledged Bank Balance

Our pledged bank balance was approximately RMB203.7 million as of June 30, 2023, representing bank balance we pledged with banks for bank loans.

12. Key Financial Ratios

The following table sets forth the components of our key financial ratio for the dates indicated:

	As at June 30, 2023	As at December 31, 2022
Current ratio[(1)]	**6.9**	10.1
Gearing ratio[(2) (3)]	**N/A**	N/A

Notes:

(1) Current ratio represents current assets divided by current liabilities as of the same date.

(2) Gearing ratio represents interest-bearing borrowings less cash and cash equivalents and time deposits with original maturity over three months, divided by total equity and multiplied by 100% as of the same date.

(3) As of December 31, 2022 and June 30, 2023, we were in a net cash position and thus gearing ratio is not applicable.

13. Contingent Liabilities

As at June 30, 2023, our Group did not have any significant contingent liabilities.

14. Capital Commitment

The capital commitment of our Group as at June 30, 2023 was approximately RMB240.7 million, representing a decrease of approximately RMB36.5 million as compared with that of approximately RMB277.2 million as at December 31, 2022, primarily attributable to progress made in the construction of manufacturing facilities and R&D activities.

15. Employees and Remuneration

As at June 30, 2023, our Group had a total of 321 employees. The following table sets forth the total number of employees by function as of June 30, 2023:

	Number of employees	% of the total
Management	6	1.9
R&D	102	31.8
Manufacturing	63	19.6
Quality control	39	12.1
Sales and marketing	77	24.0
Environmental, health and safety	1	0.3
Administrative	33	10.3
Total	321	100.0

The remuneration of the employees of our Group comprises salaries, bonuses, employees provident fund and social security contributions, other welfare payments and equity-settled share-based payment.

The total remuneration costs incurred by our Group for the six months ended June 30, 2023 was approximately RMB72.8 million, as compared to approximately RMB68.9 million for the six months ended June 30, 2022. The increase was primarily attributable to the increase of approximately RMB10.4 million in employee salaries and benefits in line with the expansion in headcount.

16. Foreign Exchange Exposure

During the six months ended June 30, 2023, we mainly operated in China and a majority of the transactions were settled in RMB, the functional currency of our Company's primary subsidiaries. As at June 30, 2023, a significant amount of our Group's cash and cash equivalents was denominated in Hong Kong dollars, and certain cash and cash equivalents, prepayments on purchases of property, plant and equipment and other payables denominated in foreign currencies.

Any significant exchange rate fluctuations of foreign currencies against RMB may have a financial impact on our Group. We do not expect future currency fluctuations would materially impact the Group's operations. The Group closely monitors the fluctuation of exchange rates and reviews the foreign currency risk management strategy from time to time. The management will continue to monitor the foreign exchange exposure flexibly and engage in timely and appropriate hedging activities when needed.

As at June 30, 2023, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2023 – unaudited

		Six months ended June 30,	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
Revenue	3	**11,304**	–
Cost of sales		**(1,150)**	–
Gross profit		**10,154**	–
Other income		**39,523**	11,866
Other net loss		**(8,287)**	(17,490)
R&D expenses	4(b)	**(205,346)**	(100,929)
General and administrative expenses		**(42,570)**	(39,510)
Selling and distribution expenses		**(23,075)**	(13,656)
Finance costs	4(a)	**(3,637)**	(1,307)
Loss before taxation	4	**(233,238)**	(161,026)
Income tax	5	**(540)**	–
Loss for the period		**(233,778)**	(161,026)
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of entities with functional currencies other than Renminbi ("**RMB**")		**98,747**	114,664
Total comprehensive income for the period		**(135,031)**	(46,362)
Loss per share *(RMB)*	6		
Basic		**(0.43)**	(0.30)
Diluted		**(0.43)**	(0.30)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2023 – unaudited

	Notes	**As at June 30, 2023** ***RMB'000***	As at December 31, 2022 *RMB'000*
Non-current assets			
Property, plant and equipment		**241,574**	233,743
Intangible assets		**345,118**	334,623
Prepayments on purchases of property, plant and equipment		**8,259**	29,510
		594,951	597,876
Current assets			
Inventories		**4,068**	–
Trade and other receivables	8	**59,939**	75,457
Pledged bank deposits		**203,679**	172,066
Time deposits with original maturity over three months		**–**	8,873
Cash and cash equivalents		**1,674,729**	1,716,351
		1,942,415	1,972,747
Current liabilities			
Trade and other payables	9	**108,395**	83,418
Amounts due to related companies		**3,746**	6,897
Bank loans		**159,487**	94,500
Lease liabilities		**9,754**	9,725
		281,382	194,540
Net current assets		**1,661,033**	1,778,207
Total assets less current liabilities		**2,255,984**	2,376,083

	As at June 30, 2023 *RMB'000*	As at December 31, 2022 *RMB'000*
Non-current liabilities		
Lease liabilities	**26,390**	27,703
Deferred income	**–**	7
	26,390	27,710
Net assets	**2,229,594**	2,348,373
Capital and reserves		
Share capital	**–***	–*
Reserves	**2,229,594**	2,348,373
Total equity	**2,229,594**	2,348,373

* The balance represents amount less than RMB1,000.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

The unaudited consolidated interim financial information set out in this announcement does not constitute the Group's unaudited interim financial report for the six months ended June 30, 2023 but is extracted from that unaudited interim financial report.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

This interim financial report has been prepared in accordance with the same accounting policies adopted in the consolidated financial statements for the financial year ended December 31, 2022, except for the accounting policy changes that are expected to be reflected in the consolidated financial statements for the financial year ending December 31, 2023. Details of any changes in accounting policies are set out in note 2.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA, whose unmodified review report is included in the interim financial report to be sent to shareholders. In addition, the interim financial report has been reviewed by the Company's Audit Committee.

2 CHANGES IN ACCOUNTING POLICIES

(a) New and amended standards adopted by the Group

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. The HKICPA also published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) Revenue

Income is classified by the Group as revenue when it arises from the sale of goods or provision of services in the ordinary course of the Group's business.

The Group is the principal for its revenue transactions and recognizes revenue on a gross basis, including the sales of ophthalmic products. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Further details of the Group's revenue recognition policies are as follows:

Revenue is recognized when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

(i) Sales of ophthalmic drugs and products

Revenue is recognized when the customer takes possession of and accepts the goods. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers, but the Group generally provides credit terms to customers within 60 days upon customer acceptance.

(ii) Royalty income and licensing income

Royalty income earned through a license is recognized as the underlying sales are recorded by the licensee.

Licensing income typically arises from the receipt of upfront, milestone and other similar payments from third parties for granting a license to product-related intellectual property ("**IP**"). Licenses granted under licensing agreements are generally unique. Therefore the basis of allocating income to performance obligations makes use of the residual approach. Upfront payments and other licensing fees are usually recognized upon granting the license which is when the licensee obtains the right to use the underlying IP of the license, unless some of the income shall be deferred for other performance obligations using the residual approach. Such deferred income is released and recognized as income when other performance obligations are satisfied. Milestone payments are typically received upon reaching a specific development milestone. Development milestone income is recognized at the point in time when it is highly probable that the respective milestone event criteria is achieved, and the risk of income reversal is considered remote.

(c) Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of raw materials and finished goods are calculated using the weighted average cost formula. Costs comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale.

When the inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are development, manufacturing and marketing of ophthalmic drugs.

Disaggregation of revenue from contracts with customers by major products of service lines is as follows:

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of ophthalmic drugs	**2,250**	–
Sales of ophthalmic products	**3,650**	–
Licensing income	**5,404**	–
	11,304	–

During the six months ended June 30, 2023, the Group recognized its revenue from contracts with customers at a point in time.

(b) Segment reporting

Operating segments are identified on the basis of internal reports that the Group's most senior executive management reviews regularly in allocating resources to segments and in assessing their performances.

The Group's most senior executive management makes resources allocation decisions based on internal management functions and assess the Group's business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

HKFRS 8, *Operating Segments*, requires identification and disclosure of information about an entity's geographical areas, regardless of the entity's organization (i.e. even if the entity has a single reportable segment). The Group operates within one geographical location because primarily all of its non-current operating assets and capital expenditure were located/incurred in the People's Republic of China ("**PRC**"). Accordingly, no geographical information is presented.

4 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
Interest on bank loan	**2,712**	466
Interest on lease liabilities	**925**	841
	3,637	1,307

(b) Other items

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
Amortization of intangible assets	**5,376**	1,053
Depreciation charge		
– owned property, plant and equipment	**15,508**	13,124
– right-of-use assets	**4,304**	3,115
R&D expenses	**205,346**	100,929

5 INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
Current tax – Overseas	**540**	–

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

There is no income tax in the Cayman Islands and accordingly, the operating results reported by the Company, is not subject to any income tax in the Cayman Islands.

No provision for Hong Kong profits tax has been provided for at the rate of 16.5% as the Group has no estimated assessable profits.

No provision for Mainland China income tax has been provided for at a rate of 25% pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, as the Group's PRC entity has no estimated assessable profits.

The Group is subject to withholding tax on licensing income from a third party based on a withholding tax rate of 10% under the tax law in Korea.

6 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB233,778,000 (six months ended June 30, 2022: RMB161,026,000) and the weighted average of 543,843,992 ordinary share (six months ended June 30, 2022: 541,946,928 ordinary shares) in issue during the interim period.

(b) Diluted loss per share

Diluted loss per share is the same as basic loss per share for the six months ended June 30, 2023 and 2022, as all of the potential ordinary shares are anti-dilutive.

7 DIVIDENDS

No dividends have been paid or declared by the Company during the six months ended June 30, 2023 and 2022.

8 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors, based on the invoice date and net of loss allowance, is as follows:

	As at June 30, 2023	As at December 31, 2022
	RMB'000	*RMB'000*
Within 1 month	**3,755**	–
Trade receivables, net of loss allowance	**3,755**	–
Value added tax recoverable	**505**	31,140
Prepayments to suppliers	**36,229**	27,383
Other receivables	**19,450**	16,934
	56,184	75,457
	59,939	75,457

All of the trade and other receivables are expected to be recovered or recognized as expense within one year.

9 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors, based on the invoice date, is as follows:

	As at June 30, 2023	As at December 31, 2022
	RMB'000	*RMB'000*
Within 1 month	**238**	–
1 to 3 months	**7**	–
Over 3 months but within 6 months	**17**	–
Over 6 months	**727**	–
Trade payables	**989**	–
Payables for purchase of property, plant and equipment	**8,235**	16,252
Payroll payables	**11,344**	16,474
Accrued costs for R&D expenses	**72,783**	36,921
Payables for purchase of materials	**2,246**	4,154
Accrued office expenses and others	**8,874**	8,414
Other taxes payables	**3,924**	1,203
	107,406	83,418
Trade and other payables	**108,395**	83,418

All of the trade and other payables are expected to be settled and expensed within one year or are repayable on demand.

OTHER INFORMATION

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above, there was no other significant event affecting our Group which occurred after the end of the Reporting Period up to the date of this announcement.

INTERIM DIVIDEND

The Board does not recommend the distribution of an interim dividend for the six months ended June 30, 2023.

COMPLIANCE WITH THE CG CODE

Pursuant to code provision C.2.1 in Part 2 of the CG Code, the roles of chairman and chief executive should be separate and not be performed by the same individual. Dr. Li Xiaoyi currently serves as both the Chairman of the Board and the CEO. Dr. Li Xiaoyi has been operating and managing our Group since its establishment. Our Board believes that vesting the roles of both CEO and chairman of the Board in the same person has the benefit of ensuring consistent leadership and efficient discharge of executive functions within our Group. We consider that the balance of power and authority of the present arrangement will not be impaired as the Board comprises eight other experienced and high-caliber individuals who would be able to offer advice from various perspectives. In addition, for major decisions of our Group, our Board will make consultations with appropriate Board committees and senior management.

Therefore, our Directors consider that the present arrangement is beneficial to and in the interest of our Company and our Shareholders as a whole and the deviation from Code provision C.2.1 in Part 2 of the CG Code is appropriate in such circumstance. Our Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman of the Board and CEO is necessary.

We are committed to maintaining a high standard of corporate governance (which is of critical importance to our development) to protect the interest of the Shareholders. Save as disclosed above, our Directors consider that we have complied with all applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules during the Reporting Period and up to the date of this announcement.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

We have adopted the Model Code set out in Appendix 10 to the Listing Rules as its securities code to regulate the dealing by the Directors in securities of our Company.

Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code during the Reporting Period and up to the date of this announcement. No incident of non-compliance of the Model Code by the employees who are likely to be in possession of inside information of our Company was noted by us.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

Our Company's Shares were listed on the Stock Exchange on April 29, 2021 with a total of 123,567,500 offer Shares issued. The net proceeds from the Global Offering amounted to approximately HK$1,932.3 million, after deducting the underwriting fees, commissions and related Listing expenses. As of June 30, 2023, such net proceeds were utilized as follows:

Use of proceeds from Listing	**Amount of net proceeds for planned applications** *(HK$ million)*	**Percentage of total net proceeds** *(%)*	**Utilized net proceeds as of June 30, 2023** *(HK$ million)*	**Unutilized net proceeds as of June 30, 2023** *(HK$ million)*	**Expected time frame for unutilized amount**
For the clinical development and commercialization of our two Core Products	618.34	32.00%	253.77	364.57	
1. Allocated to CsA Ophthalmic Gel	438.64	22.70%	175.12	263.52	By the end of 2025
2. Allocated to ZKY001	179.70	9.30%	78.65	101.05	By the end of 2025
The continuing R&D activities as well as commercialization of the other drug candidates in our pipeline	888.86	46.00%	458.37	430.49	
1. The continuing R&D activities of other key drug candidates	579.69	30.00%	296.20	283.49	By the end of 2025
2. The continuing R&D activities of other innovative and generic drug candidates	57.97	3.00%	57.97	–	–

Use of proceeds from Listing	Amount of net proceeds for planned applications *(HK$ million)*	Percentage of total net proceeds *(%)*	Utilized net proceeds as of June 30, 2023 *(HK$ million)*	Unutilized net proceeds as of June 30, 2023 *(HK$ million)*	Expected time frame for unutilized amount
3. The milestone payments of our other in-licensed drug candidate	96.62	5.00%	56.97	39.65	By the end of 2025
4. The further expansion of our sales and marketing team in anticipation of new product launches in the coming year	154.58	8.00%	47.23	107.35	By the end of 2025
Carrying out the production line expansion of our advanced Nansha manufacturing facility in anticipation of our product launches in the coming years	135.27	7.00%	135.27	–	–
Our business development activities and the expansion of drug pipelines	96.62	5.00%	96.62	–	–
Working capital and other general corporate purposes	193.23	10.00%	133.32	59.91	By the end of 2023
	1,932.32	100.00%	1,077.35	854.97	

As at June 30, 2023, all the unused net proceeds are held by our Company in short-term deposits with licensed banks or authorized financial institutions in Hong Kong and the PRC.

The expected timeline for utilizing the net proceeds from the Global Offering is based on the best estimation of future market conditions made by our Company and subject to changes in accordance with our actual business operation. Going forward, the net proceeds will be applied in the manner as set out in "Future Plans and Use of Proceeds" of the Prospectus and there is no change in the intended use of net proceeds as previously disclosed in the Prospectus.

PURCHASE, SALE OR REDEMPTION OF OUR COMPANY'S LISTED SECURITIES

During the Reporting Period and up to the date of this announcement, neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of our Company's listed securities.

MATERIAL LITIGATION

We were not involved in any material litigation or arbitration during the six months ended June 30, 2023. Our Directors are also not aware of any material litigation or claims that were pending or threatened against our Group during the six months ended June 30, 2023.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Audit Committee comprises one non-executive Director and two independent non-executive Directors, namely, Mr. Wong Hin Wing, Ms. Cai Li and Mr. Liew Fui Kiang. The chairman of the Audit Committee is Mr. Wong Hin Wing.

The Audit Committee has reviewed the accounting principles and practices adopted by our Group and discussed auditing, internal control and financial reporting matters, including the review of our Group's unaudited interim financial report for the six months ended June 30, 2023.

The Audit Committee reviews and assesses the effectiveness of our Company's risk management and internal control systems which cover all material financial, operational and compliance controls. The Audit Committee also reviews regularly the corporate governance structure and practices within our Company and monitors compliance fulfilment on an ongoing basis.

PUBLICATION OF THE 2023 CONSOLIDATED INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and our website (zkoph.com). The interim report of our Company for the six months ended June 30, 2023 containing all the information in accordance with the requirements under the Listing Rules, will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and our Company in due course.

APPRECIATION

We wish to express our sincere gratitude to our Shareholders and business partners for their continued support, and to our employees for their dedication and hard work.

"AI"	artificial intelligence
"ANDA"	abbreviated new drug application, an application for a generic drug to an approved drug in China
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of our Company
"CAGR"	compound annual growth rate
"Capitalization Issue"	the subdivision of each share in our Company's issued and unissued share capital with par value of US$0.0001 each into 400 Shares of the corresponding class with US$0.00000025 each on April 1, 2021
"CBO"	the chief business officer of our Company
"CDE"	the Center for Drug Evaluation of NMPA (國家藥品監督管理局藥品審評中心), a division of the NMPA mainly responsible for review and approval of IND and NDA
"CED"	corneal epithelial defect
"CEO"	the chief executive officer of our Company
"CFO"	the chief financial officer of our Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	chairman of the Board
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
"CIC"	China Insights Industry Consultancy Limited, a market research and consulting company and an independent third party of our Company
"CMO"	the chief medical officer of our Company

"Company", "our Company", "we" or "us"	Zhaoke Ophthalmology Limited
"Core Product(s)"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for the purpose of this announcement, our Core Products refer to CsA ophthalmic gel and ZKY001
"CsA"	a selective immuno-suppressant that inhibits calcineurin, an activator of T cells
"CSO"	the chief science officer of our Company
"DED"	dry eye disease
"Director(s)"	the director(s) of our Company, including all executive directors, non-executive directors and independent non-executive directors
"DME"	diabetic macular edema
"EMA"	European Medicines Agency
"FDA"	the United States Food and Drug Administration
"Global Offering"	the offer for subscription of the shares as described in the Prospectus
"Group", "our Group", "we" or "us"	our Company and its subsidiaries
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"IND"	investigational new drug, the application for which is the first step in the drug review process by regulatory authorities to decide whether to permit clinical trials. Also known as clinical trial application, or CTA, in China
"KOL"	key opinion leader

"Lee's Pharm"	Lee's Pharmaceutical Holdings Limited (李氏大藥廠控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 950)
"Lee's Pharm International"	Lee's Pharmaceutical International Limited, a limited liability company incorporated in the British Virgin Islands on August 1, 2001 and a subsidiary of Lee's Pharm
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Date"	April 29, 2021, being the date on which dealings in our Shares first commence on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"NDA"	new drug application, an application through which the drug sponsor formally proposes that the relevant regulatory authority approves a new drug for sales and marketing
"Nevakar"	Nevakar, Inc., a pharmaceutical company incorporated under the laws of Delaware of the U.S. in 2015 and one of our licensing partners
"NK"	neurotrophic keratitis
"NMPA"	National Medical Products Administration
"PanOptica"	PanOptica, Inc., a biopharmaceutical company incorporated under the laws of Delaware of the U.S. in 2009 and one of our licensing partners
"Prospectus"	the prospectus issued by our Company dated April 16, 2021
"Reporting Period"	the six months ended June 30, 2023

"RMB"	Renminbi
"R&D"	research and development
"Share(s)"	ordinary shares in the share capital of our Company of US$0.00000025 each
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"TOT BIOPHARM"	TOT BIOPHARM International Company Limited (東曜藥業股份有限公司), formerly known as TOT BIOPHARM International Company Limited (東源國際醫藥股份有限公司), a limited liability company established under the laws of Hong Kong in 2009 and one of our licensing partners, whose shares are listed on the Stock Exchange (stock code: 1875)
"TPRK"	transepithelial photorefractive keratectomy
"U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollars" or "US$"	United States dollars, the lawful currency of the U.S.
"VEGF"	vascular endothelial growth factor, a signal protein produced by cells that stimulates the formation of blood vessels
"VEGFR2"	vascular endothelial growth factor receptor 2, a type of VEGF that is a primary responder to vascular endothelial growth factor signal, and thereby regulates endothelial migration and proliferation
"Visus"	VISUS THERAPEUTICS INC., a pharmaceutical company incorporated under the law of Delaware of the U.S. in 2019 and one of our licensing partners
"Vyluma"	Vyluma Inc., a pharmaceutical company incorporated under the law of Delaware of the U.S. in 2021 and one of our licensing partners

"wAMD"	wet age-related macular degeneration

By order of the Board
Zhaoke Ophthalmology Limited
Dr. Li Xiaoyi
Chairman and executive Director

Hong Kong, August 23, 2023

As at the date of this announcement, the Board comprises Dr. Li Xiaoyi and Mr. Dai Xiangrong as executive Directors; Ms. Leelalertsuphakun Wanee, Ms. Tiantian Zhang, Ms. Cai Li and Mr. Chen Yu as non-executive Directors; and Mr. Wong Hin Wing, Prof. Lo Yuk Lam and Mr. Liew Fui Kiang as independent non-executive Directors.